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FM AMCONSUL JERUSALEM
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8194
INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY

C O N F I D E N T I A L JERUSALEM 001334

SIPDIS

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NEA FOR FRONT OFFICE; NEA/IPA FOR WILLIAMS/SHAMPAINE/BELGRADE; NSC FOR ABRAMS/WATERS; TREASURY FOR SZUBIN/LOEFFLER/NUGENT/HIRSON

E.O. 12958: DECL: 05/10/2017

TAGS: [ECON](#) [EFIN](#) [KTFN](#) [PTER](#) [PGOV](#) [KWBG](#)

SUBJECT: ABU MAZEN EXEMPTS GAZANS FROM PA TAXES TO DENY HAMAS FUNDS

REF: JERUSALEM 1321

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

¶1. (SBU) PA President Abbas issued a presidential decree June 26 exempting Gazans from fees for services provided by PA entities, value-added tax on local activity, and from income tax on companies and individuals. Press accounts described the move as a response to the difficult circumstances under which Gazans are currently living.

¶2. (C) PA Ministry of Finance Director General of Customs Hatem Yousef told Econspecialist June 27 that the decree is intended to strengthen the new PA government's position among beleaguered Gaza residents, while also denying Hamas access to PA revenues collected locally. Yousef estimated that, given the dire economic situation, PA fees, local VAT and income tax revenue in Gaza currently amount to about NIS 2-3 million per month, a relatively small amount when compared to that of West Bank cities. Prime Minister Fayyad told the Consul General that the main purpose of this step is to keep the funds out of the hands of Hamas, even if the amounts are small.

¶3. (C) Yousef said that PA ministry offices in Gaza traditionally receive funds from the West Bank and will face financial difficulties if these transfers are suspended.

WALLES